

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Pigeon	County Huron
Audit Date 2/29/04	Opinion Date 4/21/04	Date Accountant Report Submitted to State: 8/20/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.			
Street Address P.O. Box 499 7274 Hartley Street		City Pigeon	State MI
Accountant Signature <i>Brian Hazel</i> CPA		ZIP 48755	
		Date 8/20/04	

**VILLAGE OF PIGEON
PIGEON, MICHIGAN**

**FINANCIAL REPORT
FEBRUARY 29, 2004**

VILLAGE OF PIGEON, MICHIGAN

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CPA's On Your Team

To The Honorable Village Council
Village of Pigeon
Pigeon, Michigan 48755

We have audited the accompanying general purpose financial statements of Village of Pigeon, Michigan as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of Village of Pigeon, Michigan management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with generally accepted accounting principles. The amount that should be included in the general fixed assets account group is not known. Also, Village owned equipment is accounted for in the equipment rental department of the general fund and equipment purchases are, therefore, classified as current expenditures. Generally accepted accounting principles require that these purchases be capitalized and depreciated over their useful lives rather than treated as current expenditures.

In our opinion, except for the effects of certain practices relating to accounting for capital expenditures and for the omission of the information as discussed in the preceding paragraph, which results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Village of Pigeon, Michigan as of February 29, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2004, on our consideration of Village of Pigeon, Michigan internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the table of contents under supplemental information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Pigeon, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Nietzke & Faupel, PC

NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

April 21, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

VILLAGE OF PIGEON, MICHIGAN

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 29, 2004**

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPE	ACCOUNT GROUP GENERAL LONG-TERM DEBT	TOTALS (MEMORANDUM ONLY) FEBRUARY 29,		
	GENERAL	SPECIAL REVENUE			DEBIT SERVICE	2004	2003
ASSETS							
Cash	\$ 183,777	\$ 3,286	\$		\$ 612,460	\$ 432,350	
Accounts receivable	17,406		412,892		134,661	158,041	
Inventory			117,255		1,963	1,963	
Due from other funds			1,963		385,525	580,472	
Due from State	159,819	195,375	2,831		16,594		
Restricted assets:		16,594					
Cash			41,822		41,822	40,827	
Other assets:							
Bond issue costs			6,000		6,000		
Fixed assets			4,715,015		4,715,015	4,709,421	
Less accumulated depreciation			(1,093,234)		(1,093,234)	(984,607)	
Construction in progress			46,244		46,244		
Amount to be provided for retirement of general long-term debt				\$ 115,373	115,373	126,488	
TOTAL ASSETS	<u>\$ 361,002</u>	<u>\$ 215,255</u>	<u>\$ 4,250,788</u>	<u>\$ 115,373</u>	<u>\$ 4,982,423</u>	<u>\$ 5,044,955</u>	
LIABILITIES AND FUND EQUITY							
LIABILITIES:							
Accounts payable	\$ 19,024		\$ 21,034		\$ 40,058	\$ 12,826	
Due to other funds	195,374	\$ 30,134	146,644		385,525	560,472	
Accrued compensated absences				\$ 10,935	10,935	11,488	
Land contract payable				20,000	20,000	175,000	
Lease payable				14,438	14,438		
Bond anticipation note payable			350,000		350,000		
Revenue bonds payable			1,547,000		1,547,000	1,593,000	
General obligation bonds payable				70,000	70,000	85,000	
TOTAL LIABILITIES	<u>214,398</u>	<u>30,134</u>	<u>2,064,678</u>	<u>115,373</u>	<u>2,437,956</u>	<u>2,437,786</u>	
FUND EQUITY:							
Contributed capital			1,627,462		1,627,462	1,672,513	
Retained earnings:							
Restricted			166,822		166,822	165,827	
Unrestricted			391,826		391,826	331,107	
Fund balance:							
Undesignated	146,604	185,121			358,357	437,722	
TOTAL FUND EQUITY	<u>146,604</u>	<u>185,121</u>	<u>2,186,110</u>		<u>2,544,467</u>	<u>2,607,169</u>	
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 361,002</u>	<u>\$ 215,255</u>	<u>\$ 4,250,788</u>	<u>\$ 115,373</u>	<u>\$ 4,982,423</u>	<u>\$ 5,044,955</u>	

VILLAGE OF PIGEON, MICHIGAN

**COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED FEBRUARY 29, 2004**

	GOVERNMENTAL FUND TYPES			TOTALS (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	FEBRUARY 29,	
				2004	2003
REVENUE:					
Taxes	\$ 344,398	\$ 55,269		\$ 399,667	\$ 389,998
Licenses and permits	1,025			1,025	1,025
Intergovernmental	132,471	116,164		248,635	264,373
Charges for services	115,592			115,592	110,608
Fines and other	6,531		\$ 23	6,554	2,106
Miscellaneous	36,683	679		37,362	44,320
TOTAL REVENUE	<u>636,700</u>	<u>172,112</u>	<u>23</u>	<u>808,835</u>	<u>812,430</u>
EXPENDITURES:					
Current:					
Legislative	20,667			20,667	17,980
General government	258,211			258,211	168,853
General services administration	47,661			47,661	49,251
Streets		106,864		106,864	60,711
Recreation		7,364		7,364	8,967
Centennial					10,000
Police	133,428			133,428	111,635
Public works	158,369			158,369	146,766
Capital outlay	114,633			114,633	331,764
Debt service:					
Principal	13,918		15,000	28,918	15,000
Interest and fiscal charges	666		4,775	5,441	5,660
TOTAL EXPENDITURES	<u>747,553</u>	<u>114,228</u>	<u>19,775</u>	<u>881,556</u>	<u>926,586</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(110,853)</u>	<u>57,884</u>	<u>(19,752)</u>	<u>(72,721)</u>	<u>(114,157)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in		7,500	20,000	27,500	32,000
Operating transfers out	(17,527)	(34,973)		(52,500)	(72,000)
Proceeds from long-term debt	18,356			18,356	30,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>829</u>	<u>(27,473)</u>	<u>20,000</u>	<u>(6,644)</u>	<u>(10,000)</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(110,024)</u>	<u>30,411</u>	<u>248</u>	<u>(79,365)</u>	<u>(124,157)</u>
FUND BALANCE - BEGINNING	256,628	154,710	26,384	437,722	667,188
PRIOR PERIOD ADJUSTMENT					(105,309)
FUND BALANCE - ENDING	<u>\$ 146,604</u>	<u>\$ 185,121</u>	<u>\$ 26,632</u>	<u>\$ 358,357</u>	<u>\$ 437,722</u>

**COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2004**

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PIGEON, MICHIGAN

**COMBINED STATEMENT OF REVENUE, EXPENSES
AND CHANGE IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	PROPRIETARY FUND TYPE		TOTALS	
	ENTERPRISE		(MEMORANDUM ONLY)	
	SEWER	WATER	FEBRUARY 29,	
			2004	2003
OPERATING REVENUE:				
Charges for services	\$ 146,233	\$ 246,051	\$ 392,284	\$ 457,448
Hydrant rental		15,000	15,000	15,000
TOTAL OPERATING REVENUE	<u>146,233</u>	<u>261,051</u>	<u>407,284</u>	<u>472,448</u>
OPERATING EXPENSES:				
Salaries	15,508	18,166	33,674	32,639
Employee benefits	7,754	9,083	16,837	16,319
Operating supplies	2,136	7,392	9,528	8,044
Repairs and maintenance	5,916	5,256	11,172	12,018
Equipment rental	5,810	8,257	14,067	11,285
Utilities	3,159	10,730	13,889	14,750
Jacobs drain	19,137		19,137	20,092
State of Michigan fee		860	860	859
Other		50	50	671
Maintenance contracts		440	440	577
Water tower expense		3,722	3,722	37
Seminars	311	466	777	690
Alarm expense	527	581	1,108	1,348
New water meters				3,256
Consumer confidence report				525
Telephone		1,837	1,837	2,178
Water purchase from Caseville		133,904	133,904	122,696
Administrative fee		6,000	6,000	6,602
Water/Sewer study				3,000
Smoke test expense	450		450	
Lagoon expense	612		612	1,167
Engineering fees	236		236	370
Permits/Estimates	653		653	100
Minutes - water board meetings		80	80	290
Other	324		324	
Depreciation	27,189	81,438	108,627	105,710
Capital improvement expense		432	432	
Rate adjust to Caseville		9,298	9,298	
TOTAL OPERATING EXPENSES	<u>89,722</u>	<u>297,992</u>	<u>387,713</u>	<u>365,224</u>
OPERATING INCOME (LOSS)	<u>56,511</u>	<u>(36,941)</u>	<u>19,571</u>	<u>107,226</u>
NONOPERATING REVENUE (EXPENSES):				
Current property taxes		42,105	42,105	41,138
Interest income	589	1,227	1,816	2,331
Interest and paying agent fees	(2,708)	(69,120)	(71,828)	(73,875)
TOTAL NONOPERATING (EXPENSES)	<u>(2,119)</u>	<u>(25,788)</u>	<u>(27,907)</u>	<u>(30,406)</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES	<u>54,392</u>	<u>(62,729)</u>	<u>(8,336)</u>	<u>76,820</u>
OTHER FINANCING SOURCES:				
Operating transfer in	25,000		25,000	40,000
NET INCOME (LOSS)	<u>79,392</u>	<u>(62,729)</u>	<u>16,664</u>	<u>116,820</u>
RETAINED EARNINGS - BEGINNING	373,894	123,040	496,934	335,062
CURRENT DEPRECIATION ALLOCATED TO CONTRIBUTED CAPITAL	9,477	35,574	45,051	45,052
RETAINED EARNINGS - ENDING	<u>\$ 462,763</u>	<u>\$ 95,885</u>	<u>\$ 558,649</u>	<u>\$ 496,934</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PIGEON, MICHIGAN
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED FEBRUARY 29, 2004

	PROPRIETARY FUND TYPES		TOTALS	
	ENTERPRISE		(MEMORANDUM ONLY)	
	SEWER	WATER	FEBRUARY 29,	FEBRUARY 29,
			2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 56,511	\$ (36,941)	\$ 19,570	\$ 107,225
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	27,189	81,438	108,627	105,710
Operating transfer in	25,000	-	25,000	40,000
(Increase) decrease in current assets:				
Accounts receivable	20,428	3,942	24,370	(85,403)
Due from other funds	(497)	102,461	101,964	127,365
Increase (decrease) in current liabilities:				
Accounts payable	21,034		21,034	
Due to other funds	(47,426)	(73,094)	(120,519)	122,363
NET CASH PROVIDED BY OPERATING ACTIVITIES	102,239	77,806	180,044	417,260
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Current property taxes		42,105	42,105	41,139
Acquisition of assets	(27,212)	(24,626)	(51,838)	(357,054)
Contributed capital received			-	220,613
Interest expense	(2,708)	(69,120)	(71,828)	(73,875)
Bond issue costs	(6,000)		(6,000)	
Principal paid on land contract	(145,000)		(145,000)	(5,000)
Principal paid on revenue bonds	(28,000)	(18,000)	(46,000)	(44,000)
Proceeds from bond anticipation notes	350,000		350,000	
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	141,080	(69,641)	71,439	(218,177)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	589	1,227	1,816	2,331
NET INCREASE IN CASH AND RESTRICTED CASH	243,908	9,392	253,300	201,414
CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR	120,840	80,574	201,414	
CASH AND RESTRICTED CASH - END OF THE YEAR	\$ 364,748	\$ 89,966	\$ 454,714	\$ 201,414

VILLAGE OF PIGEON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village of Pigeon has no component units.

Basis of Presentation:

The financial activities of the Village are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds:

General Fund-The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds-Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds-Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fixed Assets (Proprietary Funds)-Fixed assets are stated at cost. Depreciation of fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Enterprise fund depreciation is provided on the straight-line basis over the estimated useful lives of the respective class of assets.

VILLAGE OF PIGEON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Account Groups:

General Long-Term Debt Account Group-This account group presents the balance of general obligation long-term debt which is not recorded in the proprietary funds.

"Totals-(Memorandum Only)":

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund types and account groups. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

Basis of Accounting:

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenue is recognized when it becomes measurable and available as net current assets. Property taxes are recorded as revenue when levied to the extent that they are measurable and available in accordance with NCGA Interpretation 3. Licenses and permits, fines and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenue and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Unbilled trash, water, and sewer service receivables are recorded at year end.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenue is recognized when it is earned, and their expenses are recognized when they are incurred.

Budgets and Budgetary Accounting:

The Village Council practices the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to February 28, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to February 28, the budget is legally enacted through passage of a resolution.
4. The Village Clerk is required by the Village charter to present a monthly report to the Village Council explaining any variance from the approved budget.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Budgets and Budgetary Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposit.

Compensated Absences:

Village employees are allowed to accumulate a maximum of thirty days of sick leave. In the event of death, termination of employment, or retirement of an employee, one-half of sick leave accumulation is paid to the employee at his current rate of pay. Unused sick leave in excess of thirty days is paid annually at one-half of regular pay rate. There is no accumulation of unused vacation days allowed. The Village accrues a liability for compensated absences based on the estimate of accumulated sick leave that will be paid to its employees upon termination of employment in accordance with the requirements of GASB Statement 16. For governmental funds, the liability for compensated absences is recorded in the general long-term debt account group since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The delinquent taxes of the Village are purchased through a revolving fund by Huron County and are therefore included as revenue in the fiscal year levied.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS: (CONTINUED)

During the year ended February 29, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditures	Budget Variance
General:			
Elected Officials	\$ 17,540	\$ 20,667	\$ (3,127)
General Government	255,925	258,211	(2,286)
Building and Grounds	47,270	47,661	(391)
Capital Outlay	110,950	114,633	(3,683)
Debt Service	14,000	14,584	(584)
Special Revenue:			
Recreation	7,160	7,364	(204)

NOTE 3 – CASH AND CERTIFICATES OF DEPOSIT:

The carrying amount of cash and deposits with financial institutions of the Village of Pigeon amounted to \$654,282 at February 29, 2004. The total bank balance as of the same date was \$676,851. Deposits with financial institutions are categorized as follows:

	<u>February 29, 2004</u>
Amount insured by the FDIC	\$321,750
Uncollateralized	355,101
Total deposits with financial institutions	<u>\$676,851</u>

The carrying amount of cash and deposits, which were restricted or designated for specific purposes as of February 29, 2004, amounted to \$41,822.

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village is limited to investments authorized by PA 20 of 1943, as amended and may invest in the following: checking accounts, savings accounts and certificates of deposits at financial institutions that are insured by the Federal Deposit Insurance Corporation. The Village's deposits and investments are within the authorization as set forth by the Village of Pigeon.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Major Street	\$110,964	General Fund	\$110,964
Trunkline	6,744	General Fund	6,744
Local Street	77,667	General Fund	77,667
Sewer Fund	497	Lagoon Project Fund	497
Water Fund	1,352	Sewer Fund	1,352
Water Debt	981	Local Street	981
General Fund	1,653	Recreation	1,653
General Fund	6,612	Sewer Fund	6,612
General Fund	138,182	Water Fund	138,182
Michigan Transportation	22,500	Major Street	22,500
Michigan Transportation	5,000	Local Street	5,000
General Fund	13,373	Michigan Transportation	13,373
Total	<u>\$ 385,525</u>	Total	<u>\$ 385,525</u>

NOTE 5 – BOND ANTICIPATION NOTE:

On October 15, 2003, the Village of Pigeon entered into a Bond Anticipation Note in the amount of \$350,000. The note has an interest rate of 1.92%. The final maturity date is June 1, 2004.

NOTE 6 – LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Village for the year ended February 29, 2004:

	<u>GENERAL LONG-TERM DEBT</u>				<u>ENTERPRISE FUNDS</u>		
	<u>GENERAL OBLIGATION BONDS</u>	<u>LEASE PAYABLE- POLICE CAR</u>	<u>LAND CONTRACT PAYABLE- LAKERS</u>	<u>ACCRUED COMPENSATED ABSENCES</u>	<u>SEWER REVENUE BOND</u>	<u>WATER SUPPLY REVENUE BONDS</u>	<u>LAND CONTRACT PAYABLE</u>
Balance, February 28, 2003	\$ 85,000		\$ 30,000	\$ 11,488	\$ 57,000	\$1,536,000	\$145,000
New lease		\$18,356					
Payments	(15,000)	(3,918)	(10,000)		(28,000)	(18,000)	(145,000)
Net change in accrued compensated absences				(553)			
Total	<u>70,000</u>	<u>14,438</u>	<u>20,000</u>	<u>10,935</u>	<u>29,000</u>	<u>1,518,000</u>	<u>-</u>
Less: Current portion	(15,000)	(8,261)	(10,000)		(29,000)	(19,000)	
Balance, February 29, 2004	<u>\$ 55,000</u>	<u>\$ 6,177</u>	<u>\$10,000</u>	<u>\$ 10,935</u>	<u>\$ -</u>	<u>\$1,499,000</u>	<u>\$ -</u>

(Continued)

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

NOTE 6 – LONG-TERM DEBT: (CONTINUED)

In prior years, the Water Supply Revenue Bonds were recorded in the general long-term debt account group. Effective February 28, 2003, these bonds have been reclassified to the Water Fund.

Details of the Village of Pigeon's long-term debt as of February 29, 2004, are as follows:

The Village of Pigeon Water Supply System Revenue Bonds, in the amount of \$1,600,000, were issued August 18, 1999. The bond proceeds, along with a grant of \$1,400,000 from the USDA Rural Development, were used to construct a water supply system from Caseville to Pigeon. The bonds shall bear interest payable December 1, 1999 and each June 1 and December 1 thereafter until maturity. The bonds final maturity date is June 1, 2024. The interest rate on the bonds is 4.5%.

\$1,518,000

The Sewage Disposal System Revenue Bonds of the Village of Pigeon, were issued under the authority of Ordinance 39 effective May 5, 1970 for the purpose of constructing a municipal sewage disposal system and were originally issued in the amount of \$729,000. During March 1991, the Village agreed to make an additional principal payment of \$120,000 in order to maintain the bond financing with the Farmers Home Administration. The bond shall bear interest each January 1 and July 1 until maturity. The bonds final maturity date is January 1, 2005. The interest rate on the bonds is 4.75%.

29,000

Total Debt Outstanding

1,547,000

Less: Current Portion

(48,000)

Total Long-Term Portion of Debt

\$1,499,000

Annual principal requirements for the years ending February 28, 2005 through 2009 for the outstanding debt listed above as of February 29, 2004 are as follows:

Year Ending	Principal
February 28, 2005	\$ 48,000
February 28, 2006	19,000
February 28, 2007	21,000
February 28, 2008	21,000
February 28, 2009	22,000
Thereafter	<u>1,416,000</u>
Total	<u>\$1,547,000</u>

Total interest incurred by the Enterprise Funds amounted to \$71,828 for the year ended February 29, 2004 all of which was charged to expense.

VILLAGE OF PIGEON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 29, 2004

NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED:

Pension Plan:

Plan Description: The Village of Pigeon participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all full-time employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 447 N. Canal Road, Lansing, Michigan 48917.

Funding Policy: The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 4% of their salary. The Village is required by the same statute to contribute the remaining amounts necessary to pay benefits when due.

Annual Pension Cost: For the year ended February 29, 2004, the Village's annual pension cost of \$13,280 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 4.16 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three year trend information:

	<u>Fiscal year ended December 31,</u>		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Annual pension cost	\$7,902	\$12,457	\$13,743
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-0-	-0-	-0-
Actuarial value of assets	601,759	639,714	631,211
Actuarial Accrued Liability (entry age)	601,819	741,227	780,333
Unfunded AAL	60	101,513	149,122
Funded ratio	100%	86%	81%
Covered payroll	200,951	154,400	209,689
UAAL as a percentage of covered payroll	0%	66%	71%

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

NOTE 8 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

The Village maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended February 29, 2004, is as follows:

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>
Operating revenue	\$ 146,233	\$ 261,051	\$ 407,284
Depreciation	27,189	81,038	108,227
Operating income (loss)	56,511	(36,941)	19,750
Operating transfers	25,000		25,000
Property taxes		42,105	42,105
Net income (loss)	79,392	(62,729)	16,663
Net working capital	27,612	(58,349)	(30,737)
Bonds and other long-term liabilities	29,000	1,518,000	1,547,000
Property, plant and equipment additions	27,212	24,626	51,838
Equity	729,758	1,456,352	2,186,110
Total assets	1,138,254	3,112,534	4,250,788

NOTE 9 - RISK MANAGEMENT:

General Liability:

Village of Pigeon participates in the Michigan Township Participating Plan, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$18.9 million for real and personal property losses and \$5 million for liability losses. Village of Pigeon is required to pay annual premiums to the Michigan Township Participating Plan for the liability coverage. No supplemental premium assessment is required by the Michigan Township Participating Plan. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation:

Village of Pigeon purchased commercial insurance coverage for losses related to workers' compensation claims.

Employee Health Care:

Village of Pigeon purchased commercial insurance coverage for its employees and their dependents.

NOTE 10 – RESERVED FUND EQUITY:

Retained earnings is reserved in the sewer and water funds. As of February 29, 2004, the reserved amounts are as follows:

	<u>Sewer</u>	<u>Water</u>
Repairs	\$125,000	
Capital improvements		\$41,822

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 29, 2004

NOTE 11 – SUBSEQUENT EVENT:

The Village of Pigeon is in the process of applying for a loan through the United States Department of Agriculture for sewer treatment plant and pump station improvements. The loan amount, interest rate or payment information has not been established as of the date of this report. The loan is not to exceed \$1,285,000.

SUPPLEMENTAL INFORMATION

VILLAGE OF PIGEON, MICHIGAN

GENERAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property taxes	\$ 344,298	\$ 344,398	\$ 100
Licenses and permits	1,025	1,025	
Intergovernmental:			
State revenue sharing	134,115	132,471	(1,644)
Charges for services	117,850	115,592	(2,258)
Fines and other	6,500	6,531	31
Miscellaneous	25,940	36,683	10,743
TOTAL REVENUE	<u>629,728</u>	<u>636,700</u>	<u>6,972</u>
EXPENDITURES:			
Legislative	17,540	20,667	(3,127)
General government	255,925	258,211	(2,286)
General services administration	47,270	47,661	(391)
Police	134,855	133,428	1,427
Public works	169,855	158,369	11,486
Capital outlay	110,950	114,633	(3,683)
Debt service	14,000	14,584	(584)
TOTAL EXPENDITURES	<u>750,395</u>	<u>747,553</u>	<u>2,842</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(120,667)</u>	<u>(110,853)</u>	<u>9,814</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers out:			
Recreation	(7,500)	(7,500)	
Sewer Operating	(25,000)	(25,000)	
Celebration Fund	15,000	14,973	(27)
Proceeds from long-term debt		18,356	18,356
TOTAL OTHER FINANCING (USES):	<u>(17,500)</u>	<u>829</u>	<u>18,329</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>(138,167)</u>	<u>(110,024)</u>	<u>28,143</u>
FUND BALANCE - BEGINNING OF YEAR	256,628	256,628	
FUND BALANCE - END OF YEAR	<u>\$ 118,461</u>	<u>\$ 146,604</u>	<u>\$ 28,143</u>

VILLAGE OF PIGEON, MICHIGAN

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
FEBRUARY 29, 2004**

	MAJOR STREET	TRUNKLINE	LOCAL STREET	RECREATION	TOTALS	
					2004	FEBRUARY 29, 2003
<u>ASSETS</u>						
Cash					\$ 3,286	\$ 18,165
Due from other funds	\$ 110,964	\$ 6,744	\$ 77,667	\$ 3,286	195,375	160,900
Due from State	12,668		3,926		16,594	
TOTAL ASSETS	<u>\$ 123,632</u>	<u>\$ 6,744</u>	<u>\$ 81,593</u>	<u>\$ 3,286</u>	<u>\$ 215,255</u>	<u>\$ 179,065</u>
<u>LIABILITIES AND FUND BALANCE</u>						
CURRENT LIABILITIES:						
Due to other funds	\$ 22,500		\$ 5,981	\$ 1,653	\$ 30,134	\$ 24,355
TOTAL CURRENT LIABILITIES	<u>22,500</u>		<u>5,981</u>	<u>1,653</u>	<u>30,134</u>	<u>24,355</u>
FUND BALANCE:						
Undesignated	101,132	\$ 6,744	75,612	1,633	185,121	154,710
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 123,632</u>	<u>\$ 6,744</u>	<u>\$ 81,593</u>	<u>\$ 3,286</u>	<u>\$ 215,255</u>	<u>\$ 179,065</u>

VILLAGE OF PIGEON, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2004

	MAJOR STREET	TRUNKLINE	LOCAL STREET	RECREATION	100 YEAR CELEBRATION	TOTALS FEBRUARY 29, 2004	2003
REVENUE:							
Taxes			\$ 55,269			\$ 55,269	\$ 53,526
Intergovernmental	\$ 80,438	\$ 10,874	24,852			116,164	97,047
Miscellaneous				\$ 679		679	1,194
TOTAL REVENUE	80,438	10,874	80,121	679		172,112	151,767
EXPENDITURES:							
Streets	43,642	24,063	39,159			106,864	60,711
Recreation				7,364		7,364	8,967
Centennial							10,000
TOTAL EXPENDITURES	43,642	24,063	39,159	7,364		114,228	79,678
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	36,796	(13,189)	40,962	(6,685)		57,884	72,089
OTHER FINANCING SOURCES (USES):							
Operating transfers in				7,500		7,500	11,000
Operating transfers out	(15,000)		(5,000)		(14,973)	(34,973)	(21,000)
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)		(5,000)	7,500	(14,973)	(27,473)	(10,000)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	21,796	(13,189)	35,962	815	(14,973)	30,411	62,089
FUND BALANCE - BEGINNING OF YEAR	79,336	19,933	39,650	818	14,973	154,710	179,441
PRIOR PERIOD ADJUSTMENT							(86,820)
FUND BALANCE - END OF YEAR	\$ 101,132	\$ 6,744	\$ 75,612	\$ 1,633	\$ -	\$ 185,121	\$ 154,710

VILLAGE OF PIGEON, MICHIGAN

**MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Intergovernmental:			
Gas and weight tax	\$ 67,680	\$ 80,438	\$ 12,758
TOTAL REVENUE	<u>67,680</u>	<u>80,438</u>	<u>12,758</u>
EXPENDITURES:			
Construction	13,990	13,991	(1)
Routine maintenance	18,610	18,102	508
Traffic services	1,000	971	29
Snow and ice	8,275	7,578	697
Administration	<u>3,000</u>	<u>3,000</u>	
TOTAL EXPENDITURES	<u>44,875</u>	<u>43,642</u>	<u>1,233</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>22,805</u>	<u>36,796</u>	<u>13,991</u>
OTHER FINANCING (USES):			
Operating transfers out	(15,000)	(15,000)	
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER (USES)	<u>7,805</u>	<u>21,796</u>	<u>13,991</u>
FUND BALANCE - BEGINNING OF YEAR	79,336	79,336	
FUND BALANCE - END OF YEAR	<u>\$ 87,141</u>	<u>\$ 101,132</u>	<u>\$ 13,991</u>

VILLAGE OF PIGEON, MICHIGAN

**TRUNKLINE
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Intergovernmental:			
Trunkline maintenance	\$ 12,075	\$ 10,874	\$ (1,201)
TOTAL REVENUE	<u>12,075</u>	<u>10,874</u>	<u>(1,201)</u>
EXPENDITURES:			
Routine maintenance	15,170	14,686	484
Traffic services	545	541	4
Snow and ice	<u>10,525</u>	<u>8,836</u>	<u>1,689</u>
TOTAL EXPENDITURES	<u>26,240</u>	<u>24,063</u>	<u>2,177</u>
EXCESS OF REVENUE (UNDER)			
EXPENDITURES	<u>(14,165)</u>	<u>(13,189)</u>	<u>976</u>
FUND BALANCE - BEGINNING OF YEAR	19,933	19,933	
FUND BALANCE - END OF YEAR	<u>\$ 5,768</u>	<u>\$ 6,744</u>	<u>\$ 976</u>

VILLAGE OF PIGEON, MICHIGAN

LOCAL STREET FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property taxes	\$ 20,935	\$ 28,069	\$ 7,134
County road millage	27,200	27,200	
Total taxes	48,135	55,269	7,134
Intergovernmental:			
Gas and weight tax	28,070	24,852	(3,218)
TOTAL REVENUE	<u>76,205</u>	<u>80,121</u>	<u>3,916</u>
EXPENDITURES:			
Routine maintenance	29,565	28,369	1,196
Traffic services	1,015	790	225
Snow and ice	9,210	8,000	1,210
Administration	2,000	2,000	
TOTAL EXPENDITURES	<u>41,790</u>	<u>39,159</u>	<u>2,631</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>34,415</u>	<u>40,962</u>	<u>6,547</u>
OTHER FINANCING (USES):			
Operating transfers out	(6,000)	(5,000)	1,000
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER (USES)	<u>28,415</u>	<u>35,962</u>	<u>7,547</u>
FUND BALANCE - BEGINNING OF YEAR	39,650	39,650	
FUND BALANCE - END OF YEAR	<u>\$ 68,065</u>	<u>\$ 75,612</u>	<u>\$ 7,547</u>

VILLAGE OF PIGEON, MICHIGAN

**RECREATION
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Miscellaneous:			
Interest income	\$ 10	\$ 9	\$ (1)
Other	215	670	455
TOTAL REVENUE	<u>225</u>	<u>679</u>	<u>454</u>
EXPENDITURES:			
Recreation	<u>7,160</u>	<u>7,364</u>	<u>(204)</u>
TOTAL EXPENDITURES	<u>7,160</u>	<u>7,364</u>	<u>(204)</u>
EXCESS OF REVENUE (UNDER) OVER EXPENDITURES	<u>(6,935)</u>	<u>(6,685)</u>	<u>250</u>
OTHER FINANCING SOURCES:			
Operating transfers in	7,500	7,500	
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>565</u>	<u>815</u>	<u>250</u>
FUND BALANCE - BEGINNING OF YEAR	818	818	
FUND BALANCE - END OF YEAR	<u>\$ 1,383</u>	<u>\$ 1,633</u>	<u>\$ 250</u>

VILLAGE OF PIGEON, MICHIGAN

**100 YEAR CELEBRATION
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE (UNFAVORABLE)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers	\$ 5,000	\$ (14,973)	\$ (19,973)
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>5,000</u>	<u>(14,973)</u>	<u>(19,973)</u>
FUND BALANCE - BEGINNING OF YEAR	14,973	14,973	
FUND BALANCE - END OF YEAR	<u>\$ 19,973</u>	<u>\$ -</u>	<u>\$ (19,973)</u>

VILLAGE OF PIGEON, MICHIGAN

**DEBT SERVICE FUND
BALANCE SHEET
FEBRUARY 29, 2004**

	MICH. DEPT. OF TRANS. <u>DEBT</u>
<u>ASSETS</u>	
Cash	\$ 12,505
Due from other funds	<u>27,500</u>
TOTAL ASSETS	<u>\$ 40,005</u>
<u>LIABILITIES AND FUND EQUITY</u>	
Due to other funds	\$ 13,373
Fund Balance	<u>26,632</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 40,005</u>

VILLAGE OF PIGEON, MICHIGAN

**MICHIGAN DEPARTMENT OF TRANSPORTATION DEBT SERVICE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE (UNFAVORABLE)</u>
REVENUE:			
Interest income	\$ 25	\$ 23	\$ (2)
TOTAL REVENUE	<u>25</u>	<u>23</u>	<u>(2)</u>
EXPENDITURES:			
Bond principal payments	15,000	15,000	
Interest and paying agent fees	<u>4,775</u>	<u>4,775</u>	
TOTAL EXPENDITURES	<u>19,775</u>	<u>19,775</u>	
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(19,750)</u>	<u>(19,752)</u>	<u>(2)</u>
OTHER FINANCING SOURCES:			
Operating transfers in	20,000	20,000	
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	<u>250</u>	<u>248</u>	<u>(2)</u>
FUND BALANCE - BEGINNING OF YEAR	26,384	26,384	
FUND BALANCE - END OF YEAR	<u>\$ 26,634</u>	<u>\$ 26,632</u>	<u>\$ (2)</u>

VILLAGE OF PIGEON, MICHIGAN
COMBINING BALANCE SHEET - ENTERPRISE FUNDS
FEBRUARY 29, 2004

	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u> <u>FEBRUARY 29,</u> <u>2004</u>	<u>2003</u>
ASSETS				
CURRENT ASSETS:				
Cash	\$ 364,748	\$ 48,144	\$ 412,892	\$ 160,587
Due from other funds	497	2,334	2,831	104,795
Accounts receivable	70,863	46,392	117,255	141,625
Inventory		1,963	1,963	1,963
TOTAL CURRENT ASSETS	<u>436,108</u>	<u>98,833</u>	<u>534,941</u>	<u>408,970</u>
RESTRICTED ASSETS:				
Cash		41,822	41,822	40,827
TOTAL RESTRICTED ASSETS		<u>41,822</u>	<u>41,822</u>	<u>40,827</u>
OTHER ASSETS:				
Bond issue costs	6,000		6,000	
TOTAL OTHER ASSETS	<u>6,000</u>		<u>6,000</u>	
FIXED ASSETS	1,472,912	3,242,103	4,715,015	4,709,421
LESS: ACCUMULATED DEPRECIATION	(803,978)	(289,256)	(1,093,234)	(984,607)
CONSTRUCTION IN PROGRESS	27,212	19,032	46,244	
FIXED ASSETS - NET	<u>696,146</u>	<u>2,971,879</u>	<u>3,668,025</u>	<u>3,724,814</u>
TOTAL ASSETS	<u>\$ 1,138,254</u>	<u>\$ 3,112,534</u>	<u>\$ 4,250,788</u>	<u>\$ 4,174,611</u>

VILLAGE OF PIGEON, MICHIGAN
COMBINING BALANCE SHEET - ENTERPRISE FUNDS
FEBRUARY 29, 2004

	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u> <u>FEBRUARY 29,</u> <u>2004</u> <u>2003</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Revenue bonds payable - Current	\$ 29,000	\$ 19,000	\$ 48,000
Land contract payable - Current			\$ 46,000
Bond anticipation note payable	350,000		350,000
Accounts payable	21,034		21,034
Due to other funds	8,462	138,182	146,644
TOTAL CURRENT LIABILITIES	<u>408,496</u>	<u>157,182</u>	<u>565,678</u>
			<u>327,391</u>
<u>NONCURRENT LIABILITIES:</u>			
Land contract payable			130,773
Revenue bonds payable		1,499,000	1,499,000
TOTAL NONCURRENT LIABILITIES		<u>1,499,000</u>	<u>1,677,773</u>
TOTAL LIABILITIES	<u>408,496</u>	<u>1,656,182</u>	<u>2,064,678</u>
			<u>2,005,164</u>
<u>FUND EQUITY:</u>			
Retained Earnings:			
Reserved:			
Repairs	125,000		125,000
Capital improvements		41,822	41,822
Unreserved	337,763	54,063	391,826
Total Retained Earnings	462,763	95,885	558,648
Contributed Capital	266,995	1,360,467	1,627,462
TOTAL FUND EQUITY	<u>729,758</u>	<u>1,456,352</u>	<u>2,186,110</u>
			<u>2,169,447</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,138,254</u>	<u>\$ 3,112,534</u>	<u>\$ 4,250,788</u>
			<u>\$ 4,174,611</u>

VILLAGE OF PIGEON, MICHIGAN

SEWER FUND

STATEMENT OF CHANGES IN CONTRIBUTED CAPITAL

	<u>FEBRUARY 29,</u>
	<u>2004</u>
CONTRIBUTED CAPITAL - MARCH 1	\$ 276,472
LESS: Depreciation on fixed assets acquired from capital grants	<u>(9,477)</u>
CONTRIBUTED CAPITAL - FEBRUARY 29	<u>\$ 266,995</u>

VILLAGE OF PIGEON, MICHIGAN

**SEWER OPERATING FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN RETAINED EARNINGS - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUE:			
Charges for services	\$ 142,650	\$ 146,233	\$ 3,583
TOTAL OPERATING REVENUE	<u>142,650</u>	<u>146,233</u>	<u>3,583</u>
OPERATING EXPENSES:			
Salaries	15,675	15,508	167
Employee benefits	7,835	7,754	81
Operating supplies	2,200	2,136	64
Repairs and maintenance	6,000	5,916	84
Equipment rental	5,650	5,810	(160)
Utilities	3,350	3,159	191
Jacobs drain	19,140	19,137	3
Seminars	315	311	4
Alarm expense	600	527	73
Smoke test expense	450	450	
Lagoon expense	1,110	612	498
Engineering fees	240	236	4
Permits/Estimates	655	653	2
Other	325	324	1
Depreciation	28,000	27,189	811
TOTAL OPERATING EXPENSES	<u>91,545</u>	<u>89,722</u>	<u>1,823</u>
OPERATING INCOME	<u>51,105</u>	<u>56,511</u>	<u>5,406</u>
NONOPERATING REVENUE (EXPENSES):			
Interest revenue	600	589	(11)
Interest expense	(1,355)	(2,708)	(1,353)
TOTAL NONOPERATING (EXPENSES)	<u>(755)</u>	<u>(2,119)</u>	<u>(1,364)</u>
INCOME BEFORE OTHER FINANCING SOURCES	<u>50,350</u>	<u>54,392</u>	<u>4,042</u>
OTHER FINANCING SOURCES:			
Operating transfer in	25,000	25,000	-
NET INCOME	<u>75,350</u>	<u>79,392</u>	<u>4,042</u>
ADD: Depreciation of fixed assets acquired from capital grants	9,477	9,477	
INCREASE IN RETAINED EARNINGS	<u>84,827</u>	<u>88,869</u>	<u>4,042</u>
RETAINED EARNINGS - BEGINNING	373,894	373,894	
RETAINED EARNINGS - ENDING	<u>\$ 458,721</u>	<u>\$ 462,763</u>	<u>\$ 4,042</u>

VILLAGE OF PIGEON, MICHIGAN
WATER FUND
STATEMENT OF CHANGES IN CONTRIBUTED CAPITAL

	<u>FEBRUARY 29,</u>
	<u>2004</u>
CONTRIBUTED CAPITAL - MARCH 1	\$ 1,396,041
LESS: Depreciation on fixed assets acquired from capital grants	<u>(35,574)</u>
CONTRIBUTED CAPITAL - FEBRUARY 29	<u><u>\$ 1,360,467</u></u>

VILLAGE OF PIGEON, MICHIGAN

**WATER OPERATING FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN RETAINED EARNINGS - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUE:			
Charges for services	\$ 245,040	\$ 246,051	\$ 1,011
Hydrant rental	15,000	15,000	
TOTAL OPERATING REVENUE	<u>260,040</u>	<u>261,051</u>	<u>1,011</u>
OPERATING EXPENSES:			
Salaries	18,500	18,166	334
Employee benefits	9,250	9,083	167
Operating supplies	7,250	7,392	(142)
Repairs and maintenance	7,500	5,256	2,244
Equipment rental	8,500	8,257	243
Utilities	10,900	10,730	170
State of Michigan fee	860	860	
Underground tank inspection	3,725		3,725
Other	50	50	
Maintenance contracts	440	440	
Water tower expense		3,722	(3,722)
Seminars	470	466	4
Alarm expense	635	581	54
Telephone	1,900	1,837	63
Water purchase from Caseville	133,905	133,904	1
Administrative fee	6,000	6,000	
Minutes - Water board meetings	70	80	(10)
Depreciation	1,950	81,438	(79,488)
Capital improvement expense	435	432	3
Intake Valve - Caseville	18,285		18,285
Rate adjust to Caseville	9,300	9,298	2
TOTAL OPERATING EXPENSES	<u>239,925</u>	<u>297,992</u>	<u>(58,067)</u>
OPERATING INCOME (LOSS)	<u>20,115</u>	<u>(36,941)</u>	<u>(57,056)</u>
NONOPERATING REVENUE (EXPENSES):			
Current property taxes	42,105	42,105	
Interest income	235	1,227	992
Interest and paying agent fees	(69,120)	(69,120)	
Bond principal payments	(18,000)		18,000
TOTAL NONOPERATING (EXPENSES)	<u>(44,780)</u>	<u>(25,788)</u>	<u>18,992</u>
NET (LOSS)	<u>(24,665)</u>	<u>(62,729)</u>	<u>(38,064)</u>
ADD: Depreciation of fixed assets acquired from capital grants	<u>35,574</u>	<u>35,574</u>	
INCREASE (DECREASE) IN RETAINED EARNINGS	<u>10,909</u>	<u>(27,155)</u>	<u>(38,064)</u>
RETAINED EARNINGS - BEGINNING	<u>123,040</u>	<u>123,040</u>	
RETAINED EARNINGS - ENDING	<u>\$ 133,949</u>	<u>\$ 95,885</u>	<u>\$ (38,064)</u>

VILLAGE OF PIGEON, MICHIGAN

**STATEMENT OF GENERAL LONG-TERM DEBT
FEBRUARY 29, 2004**

AMOUNT AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF GENERAL LONG-TERM DEBT

GENERAL OBLIGATION - MICHIGAN TRANSPORTATION FUND BONDS:

Bonds dated September 1, 1992:

Amount available in Michigan Dept. of Trans. Debt Service Fund	\$ 26,632
Amount to be provided	<u>43,368</u>
	70,000

LAND CONTRACT PAYABLE - LAKER SCHOOL DISTRICT

Contract dated June 10, 2002:

Amount to be provided	20,000
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CAPITAL LEASE PAYABLE - POLICE CAR

Amount to be provided	14,438
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ACCRUED COMPENSATED ABSENCES

Amount to be provided	10,935
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TOTAL GENERAL LONG-TERM DEBT

\$ 115,373

GENERAL LONG-TERM DEBT PAYABLE

General Obligation - Michigan Transportation Fund Bonds \$ 70,000

Land Contract Payable - Laker School District 20,000

Capital Lease Payable - Police Car 14,438

Accrued Compensated Absences 10,935

TOTAL GENERAL LONG-TERM DEBT PAYABLE

\$ 115,373

VILLAGE OF PIGEON, MICHIGAN

GENERAL FUND SCHEDULE OF REVENUE FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property taxes	\$ 343,948	\$ 344,073	\$ 125
Tax collection fees	300	281	(19)
Interest on taxes	50	44	(6)
Total for taxes	<u>344,298</u>	<u>344,398</u>	<u>100</u>
 Licenses and permits	 <u>1,025</u>	 <u>1,025</u>	
 Intergovernmental:			
State revenue sharing	<u>134,115</u>	<u>132,471</u>	<u>(1,644)</u>
 Charges for services:			
Curb, gutter and DPW services	2,350	2,272	(78)
Equipment rental	72,000	70,030	(1,970)
Refuse collection	43,500	43,290	(210)
Total Charges for Services	<u>117,850</u>	<u>115,592</u>	<u>(2,258)</u>
 Fines and other	 <u>6,500</u>	 <u>6,531</u>	 <u>31</u>
 Miscellaneous:			
Interest and other	4,500	4,107	(393)
Administration fees	4,150	14,867	10,717
Cable TV fees	4,250	4,226	(24)
Other	860	1,093	233
Parking tickets	450	660	210
Public hearing receipts	230	230	
Sale of used equipment	11,500	11,500	
Total Miscellaneous	<u>25,940</u>	<u>36,683</u>	<u>10,743</u>
 TOTAL REVENUE	 <u><u>\$ 629,728</u></u>	 <u><u>\$ 636,700</u></u>	 <u><u>\$ 6,972</u></u>

VILLAGE OF PIGEON, MICHIGAN

**GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Elected Officials:			
Salaries	\$ 2,200	\$ 2,867	\$ (667)
Zoning administration pay		600	(600)
Committee attendance	15,340	17,200	(1,860)
Total Elected Officials	<u>17,540</u>	<u>20,667</u>	<u>(3,127)</u>
General Government:			
Superintendent:			
Salaries	35,500	35,500	
Clerical wages	9,600	9,535	65
Benefits - Blue Cross	58,500	58,384	116
Benefits - MERS	13,000	14,388	(1,388)
Benefits - Insurance	2,850	2,809	41
Benefits - Allocated	(82,325)	(80,894)	(1,431)
Unemployment expense	8,910	8,907	3
Equipment maintenance	1,200	957	243
Office supplies and expense	4,000	3,689	311
Postage	1,300	1,158	142
Printing and publications	1,050	960	90
Professional	7,510	6,683	827
Trash pickup	42,000	41,994	6
Travel and seminars	250	179	71
Insurance	54,000	53,899	101
Other	3,750	3,464	286
Employee Benefits - Payroll tax	18,500	18,171	329
Employee Benefits - Vacation and holiday pay	15,000	15,735	(735)
Employee Benefits - Clerical	4,800	4,073	727
Internet services	500	436	64
Centennial expense	1,000	916	84
Master plan	10,000	11,037	(1,037)
Legal fees	39,500	40,977	(1,477)
Total Superintendent	<u>250,395</u>	<u>252,957</u>	<u>(2,562)</u>
Elections	1,800	1,530	270
Treasurer	3,730	3,724	6
Total General Government	<u>255,925</u>	<u>258,211</u>	<u>(2,286)</u>
Buildings & Grounds:			
Janitor	750	711	39
Cleaning supplies	50	28	22
Utilities	10,000	12,488	(2,488)
Maintenance and repairs	6,345	5,882	463

VILLAGE OF PIGEON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Buildings & Grounds: (Continued)			
County Building	9,500	8,971	529
Trees trim/down - Stump removal	1,500	1,462	38
Bandshell - Electricity	250	230	20
Bandshell	1,235	912	323
Museum repairs	640	636	4
School property - Utilities	14,000	13,777	223
School property - Maintenance	3,000	2,564	436
Total Buildings & Grounds	<u>47,270</u>	<u>47,661</u>	<u>(391)</u>
Police Department:			
Salary - Chief	31,125	31,116	9
Salary - Other	32,250	31,743	507
Employee benefits	31,700	31,182	518
Uniform allowance	1,600	1,609	(9)
Offices supplies and expense	1,000	835	165
Telephone	2,500	2,230	270
Gas and oil	2,400	2,429	(29)
Maintenance and repairs	2,000	1,728	272
Travel and seminars	400	332	68
Other	3,200	2,558	642
302 funds - income and expense	(500)	(500)	
Legal fees	23,355	24,055	(700)
Training funds	1,450	1,450	
Gun expense	170	167	3
Police department internet	325	336	(11)
Police car expense	1,600	1,593	7
Tires		287	(287)
New police officer	280	278	2
Total Police Department	<u>134,855</u>	<u>133,428</u>	<u>1,427</u>
Public Works:			
Department of Public Works:			
Salaries	34,130	30,991	3,139
Employee benefits	17,065	15,496	1,569
Operating supplies	5,050	4,024	1,026
Uniform cleaning	1,775	1,752	23
Telephone	2,250	2,009	241
Electricity - Village lights	20,500	20,911	(411)
Electricity - Other	600	494	106
Equipment rental	19,500	18,710	790

VILLAGE OF PIGEON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 29, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Public Works: (Continued)			
Department of Public Works: (Continued)			
Hydrant rental	15,000	15,000	
Other	2,290	1,965	325
Sidewalk replacement	3,100	3,060	40
New street lights	5,500	2,455	3,045
Tree lights	1,750	1,256	494
Paper expense	400	280	120
Lawn maintenance contract	15,120	15,120	
OSHA consulting	2,400	2,200	200
Total Department of Public Works	<u>146,430</u>	<u>135,723</u>	<u>10,707</u>
 Equipment:			
Payroll	3,200	2,905	295
Employee benefits	1,600	1,453	147
Gas and oil	4,750	4,942	(192)
Supplies	375	(20)	395
Maintenance and repairs	13,500	13,366	134
Total Equipment	<u>23,425</u>	<u>22,646</u>	<u>779</u>
 Total Public Works	<u>169,855</u>	<u>158,369</u>	<u>11,486</u>
 Capital Outlay:			
Department of Public Works	2,840	2,841	(1)
Equipment	25,190	25,188	2
Recreation	9,930	9,929	1
New tables - Discovery Center	1,000	1,000	
New lamp posts	2,060	2,060	
New village signs	2,535	2,534	1
Restore old fire truck	9,185	9,185	
New telephone system		2,328	(2,328)
Police vehicle	37,260	38,616	(1,356)
Laker West - School property	20,950	20,952	(2)
Total Capital Outlay	<u>110,950</u>	<u>114,633</u>	<u>(3,683)</u>
 Debt Service:			
Land contract - Laker West - School property	10,000	10,000	
Principal payments on capital lease	4,000	4,584	(584)
Total Debt Service	<u>14,000</u>	<u>14,584</u>	<u>(584)</u>
 TOTAL EXPENDITURES	<u>\$ 750,395</u>	<u>\$ 747,553</u>	<u>\$ 2,842</u>

VILLAGE OF PIGEON, MICHIGAN

**MAJOR STREET FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Construction:			
Labor	\$ 30	\$ 30	
Employee benefits	15	15	
Contracted services	13,945	13,946	\$ (1)
Total Construction	<u>13,990</u>	<u>13,991</u>	<u>(1)</u>
Routine Maintenance:			
Labor	4,300	4,193	107
Employee benefits	2,150	2,096	54
Materials and supplies	1,800	1,456	344
Equipment rental	9,980	9,978	2
Sweeping and flushing	380	379	1
Total Routine Maintenance	<u>18,610</u>	<u>18,102</u>	<u>508</u>
Traffic services	<u>1,000</u>	<u>971</u>	<u>29</u>
Snow and ice control:			
Labor	2,100	1,853	247
Employee benefits	1,050	926	124
Supplies and services	1,375	1,107	268
Equipment rental	3,750	3,692	58
Total Snow and ice control	<u>8,275</u>	<u>7,578</u>	<u>697</u>
Administration:			
Administrative fee	3,000	3,000	
TOTAL EXPENDITURES	<u>\$ 44,875</u>	<u>\$ 43,642</u>	<u>\$ 1,233</u>

VILLAGE OF PIGEON, MICHIGAN

**TRUNKLINE
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE</u>
EXPENDITURES:			
Routine maintenance:			
Labor	\$ 850	\$ 756	\$ 94
Employee benefits	565	515	50
Materials and supplies	300	253	47
Equipment rental	4,000	3,712	288
Resurfacing parking lanes	9,180	9,177	3
Sweeping and flushing	275	273	2
Total Routine Maintenance	<u>15,170</u>	<u>14,686</u>	<u>484</u>
 Traffic services	 <u>545</u>	 <u>541</u>	 <u>4</u>
 Snow and ice control:			
Labor	3,000	2,497	503
Employee benefits	1,675	1,368	307
Materials and supplies	1,000	950	50
Equipment rental	4,500	3,782	718
Snow hauling-payroll	350	239	111
Total Snow and ice control	<u>10,525</u>	<u>8,836</u>	<u>1,689</u>
 TOTAL EXPENDITURES	 <u>\$ 26,240</u>	 <u>\$ 24,063</u>	 <u>\$ 2,177</u>

VILLAGE OF PIGEON, MICHIGAN

**LOCAL STREET FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Routine maintenance:			
Labor	4,230	4,273	(43)
Employee benefits	2,115	2,137	(22)
Materials and supplies	2,500	1,146	1,354
Maintenance	365	1,168	(803)
Relocate services	9,605	9,605	
Equipment rental	10,750	10,040	710
Total Routine Maintenance	<u>29,565</u>	<u>28,369</u>	<u>1,196</u>
 Traffic services	 <u>1,015</u>	 <u>790</u>	 <u>225</u>
 Snow and ice control:			
Labor	2,375	2,012	363
Employee benefits	1,185	1,006	179
Supplies and services	650	694	(44)
Equipment rental	5,000	4,288	712
Total Snow and ice control	<u>9,210</u>	<u>8,000</u>	<u>1,210</u>
 Administration			
Administrative fee	2,000	2,000	
 TOTAL EXPENDITURES	 <u>\$ 41,790</u>	 <u>\$ 39,159</u>	 <u>\$ 2,631</u>

VILLAGE OF PIGEON, MICHIGAN

**RECREATION
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Recreation:			
Labor	\$ 1,540	\$ 1,538	\$ 2
Employee benefits	750	749	1
Supplies	280	299	(19)
Utilities	1,250	1,382	(132)
Repairs and maintenance	255	310	(55)
Equipment rental	960	962	(2)
Other	85	84	1
Picnic table expense	120	121	(1)
Dirt application on fields	<u>1,920</u>	<u>1,919</u>	<u>1</u>
TOTAL EXPENDITURES	<u><u>\$ 7,160</u></u>	<u><u>\$ 7,364</u></u>	<u><u>\$ (204)</u></u>

VILLAGE OF PIGEON, MICHIGAN

PROPRIETARY FUND
SCHEDULE OF FIXED ASSETS
FOR THE YEAR ENDED FEBRUARY 29, 2004

	FIXED ASSETS		ACCUMULATED DEPRECIATION			NET ASSET COST
	BALANCE MARCH 1, 2003	BALANCE FEBRUARY 29, 2004	BALANCE MARCH 1, 2003	PROVISION FOR DEPRECIATION	BALANCE FEBRUARY 29, 2004	
SEWER FUND						
Land	\$ 201,000	\$ 201,000				\$ 201,000
Equipment	116,123	116,123	\$ 79,113	\$ 4,074	\$ 83,187	32,936
Transmission lines	882,936	882,936	556,210	17,658	573,868	309,068
Lagoon system	272,853	272,853	141,466	5,457	146,923	125,930
Construction in progress		27,212				27,212
TOTAL SEWER FUND	\$ 1,472,912	\$ 1,500,124	\$ 776,789	\$ 27,189	\$ 803,978	\$ 696,146
WATER FUND						
Wells	\$ 32,573	\$ 32,573	\$ 23,235	\$ 815	\$ 24,050	\$ 8,523
Water lines	45,367	45,367	29,415	1,134	30,549	14,818
Caseville water line	3,049,208	3,049,208	123,077	76,230	199,307	2,849,901
Equipment	109,361	114,955	32,091	3,259	35,350	79,605
Construction in progress		19,032				19,032
TOTAL WATER FUND	\$ 3,236,509	\$ 3,261,135	\$ 207,818	\$ 81,438	\$ 289,256	\$ 2,971,879

VILLAGE OF PIGEON, MICHIGAN

**SCHEDULE OF SEWER REVENUE BOND DEBT DATED MAY 5, 1970
FEBRUARY 29, 2004**

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>	
07/01/04	\$ 29,000	4.75%	\$ 689	\$ 29,689
	<u>\$ 29,000</u>		<u>\$ 689</u>	<u>\$ 29,689</u>

The Sewage Disposal System Revenue Bonds of the Village of Pigeon were issued under the authority of Ordinance 39 effective May 5, 1970 for the purpose of constructing a municipal sewage disposal system and were originally issued in the amount of \$729,000.

During March 1991, the Village agreed to make an additional principal payment of \$120,000 in order to maintain the bond financing with the Farmers Home Administration.

VILLAGE OF PIGEON, MICHIGAN

**SCHEDULE OF MICHIGAN TRANSPORTATION FUND GENERAL OBLIGATION BONDS
SERIES 1992-A
FEBRUARY 29, 2004**

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>		
05/01/04	\$ 15,000	6.10%	\$ 2,163	\$ 17,163	
11/01/04			1,705	1,705	\$ 18,868
05/01/05	15,000	6.20%	1,705	16,705	
11/01/05			1,240	1,240	17,945
05/01/06	20,000	6.20%	1,240	21,240	
11/01/06			620	620	21,860
05/01/07	20,000	6.20%	620	20,620	20,620
	<u>\$ 70,000</u>		<u>\$ 9,293</u>	<u>\$ 79,293</u>	<u>\$ 79,293</u>

The Michigan Transportation Fund General Obligation Bonds dated September 1, 1992 were issued to provide financing for the Streetscape project completed in 1994.

VILLAGE OF PIGEON, MICHIGAN

SCHEDULE OF WATER SUPPLY REVENUE BONDS

SERIES 1999

FEBRUARY 29, 2004

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>		
06/01/04			\$ 34,155	\$ 34,155	
12/01/04	\$ 19,000	4.50%	34,155	53,155	\$ 87,310
06/01/05			33,728	33,728	
12/01/05	19,000	4.50%	33,727	52,727	86,455
06/01/06			33,300	33,300	
12/01/06	21,000	4.50%	33,300	54,300	87,600
06/01/07			32,828	32,828	
12/01/07	21,000	4.50%	32,827	53,827	86,655
06/01/08			32,355	32,355	
12/01/08	22,000	4.50%	32,355	54,355	86,710
06/01/09			31,860	31,860	
12/01/09	23,000	4.50%	31,860	54,860	86,720
2010 - 2038	1,393,000	4.50%	1,129,635	2,522,635	
	<u>\$ 1,518,000</u>		<u>\$ 1,526,085</u>	<u>\$ 3,044,085</u>	<u>\$ 521,450</u>

The Village of Pigeon Water Supply System Revenue Bonds, in the amount of \$1,600,000, were issued August 18, 1999. The bond proceeds, along with a grant of \$1,400,000 from the USDA Rural Development, were used to construct a water supply system from Caseville, Michigan to Pigeon, Michigan.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Village Council
Village of Pigeon
Pigeon, Michigan 48755

We have audited the general purpose financial statements of Village of Pigeon, Michigan, as of and for the year ended February 29, 2004, and have issued our report thereon dated April 21, 2004, which was qualified because the general purpose financial statements do not include the general fixed assets account group and the Village owned equipment is accounted for in the equipment rental department of the general fund and equipment purchases are, therefore, classified as current expenditures. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Pigeon, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Village of Pigeon, Michigan, in a separate letter dated April 21, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Pigeon, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Village of Pigeon, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of reportable conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Village of Pigeon, Michigan, in a separate letter dated April 21, 2004.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Nietzke & Faupel, PC
Nietzke & Faupel, P.C.
Pigeon, Michigan
April 21, 2004

**VILLAGE OF PIGEON
SCHEDULE OF REPORTABLE CONDITION
YEAR ENDED FEBRUARY 29, 2004**

FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

1. Segregation of duties

Condition: The Village Clerk is processing bills and receipts in the system along with collecting cash receipts from the customers.

Criteria: This combination indicates a lack of segregation of duties.

Effect: Because of the lack of segregation of duties, it would be possible to manipulate records.

Recommendation: Review procedures should be established in this area and they should be performed by someone independent of the billing procedures and the collection of the cash.



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CPA's On Your Team

April 21, 2004

To the Honorable Village Council
Village of Pigeon
Pigeon, Michigan 48755

The following comments relate to situations brought to our attention during the course of our recent audit of the general purpose financial statements of the Village of Pigeon, Michigan for the year ended February 29, 2004, and are submitted for your evaluation and consideration. We would like to emphasize that since our audit was conducted for the purpose of expressing an opinion on the aforementioned general purpose financial statements; these comments are not necessarily all inclusive.

Employee Responsibilities:

Currently, the Village clerk is processing bills and receipts in the system along with collecting cash receipts from the customers. This combination indicates a lack of segregation of duties. We recommend that review procedures be established in this area and that they be performed by someone independent of the billing procedures and the collection of the cash.

Budgeting:

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Expenditures should be compared with the budget on a monthly basis and the budget should be adjusted, if needed, before an expenditure is made in excess of a budgeted amount. We noted six instances where there was a budget violation. These violations occurred in the General and Special Revenue Funds.

Act 51 Compliance:

During the preparation of the Act 51 Street Financial Report, it was noted that the Village is not in compliance with Section 10(k) of the Act which requires recipients of Michigan Transportation Funds to spend an average of 1% of these funds over a 10 year period (Total of 10% for the 10 year period) on nonmotorized transportation services and facilities. The Village's last nonmotorized project was more than 10 years ago; therefore the Village is not in compliance with this section of the Act. To return to compliance with the Act and to insure continued receipt of the Michigan Transportation Funds, the Village must develop a plan of project expenditures which will return the Village to compliance within three years. The plan must be approved by the Michigan Department of Transportation Nonmotorized Transportation Coordinator and the Village's governing body. We recommend that the Village start the planning process to develop a nonmotorized transportation project that will qualify with this section of Act 51 to insure future compliance with the Act.

Uniform Chart of Accounts:

The State of Michigan has established a Uniform Chart of Accounts to be used by local units of government. Whenever a new fund or account is added to the Village's accounting records, the Uniform Chart of Accounts should be followed. A copy of the State Uniform Chart of Accounts has been provided to your accounting department.

Water Fund Retained Earnings:

At its present level of operations, the Water Fund will have depleted its unrestricted retained earnings within the next two fiscal years. This will create a deficit retained earnings for the Water Fund, which is not allowed by State statute. Steps should be taken at this time to look into ways to increase the profitability of the Water Fund so that a deficit retained earning situation can be avoided.

Create an Equipment Fund:

One way to provide for the funding of equipment purchases for the Village would be to create an Equipment Rental Fund. Once an Equipment Rental Fund is created, usage of the Village's equipment would be charged to each department of the Village in the form of equipment rental. The revenue of the Equipment Rental Fund, net of the operating expenses of the equipment (including depreciation) would be accumulated and would be available to purchase new replacement equipment. Currently, all of the cost of the Village's equipment is being funded by the General Fund. By creating an Equipment Rental Fund, the cost and funding of the Village's equipment would be shared by all departments of the Village.

GASB New Reporting Model:

Governmental Accounting Standards Board Statement 34 establishes new requirements for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions (or who may do so in the future): legislators, their staff, and members of oversight bodies; investors, creditors, and others who provide resources to governments; and citizen groups and the public in general.

Some of the features of the new governmental financial statements include the following: government-wide financial statements prepared using the full accrual basis of accounting, the reporting of all capital assets (including infrastructure), reporting of depreciation of capital assets, fund-based financial statements (similar to the current financial statements), classification of major and non-major funds, and a management discussion and analysis report.

GASB Statement 34 is now effective for the Village's fiscal year beginning March 1, 2004. While the basic accounting system of the Village will not require any changes to comply with the new reporting format, additional information will be needed for the preparation of the Village's financial statements for the year ending February 28, 2005. It has been noted that steps have already taken place to begin to gather the necessary information.

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Village of Pigeon
April 21, 2004

The above recommendations are being made in an effort to improve the Village's system of recordkeeping and to aid the Village in conforming to State requirements. If you have any questions regarding these recommendations, please contact us. We are available to assist you in implementing any of the aforementioned recommendations.

We would like to take this opportunity to thank the Village personnel for their hospitality and assistance we received during our audit for the year ended February 29, 2004.

Nietzke + Faupel, PC
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PIGEON, MICHIGAN